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In the

Supreme Court of the United States

October Term, 1952

No. 181

LAKELAND GROCERY CORPORATION,
Petitioner,

v.

FOOD FAIR STORES, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

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In the

Supreme Court of the United States

October Term, 1961

No. 1041

LAKELAND GROCERY CORPORATION,
Petitioner,

v.

FOOD FAIR STORES, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

I.

OPINIONS BELOW

The opinion of Honorable Walter E. Hoffman, United States District Judge for the Eastern District of Virginia, dated January 3, 1961, before whom this unfair competition action was tried on September 28-30, 1959, is not reported. The opinion of the United States Court of Appeals for the Fourth Circuit dated March 22, 1962, reversing the trial court, is reported at 301 F. 2d 156 (1962). Both opinions are reprinted in full in the petition filed June 15, 1962, by Lakeland Grocery Corporation. Throughout this brief reference to the trial court means the United States District

Court for the Eastern District of Virginia; reference to the court below means the United States Court of Appeals for the Fourth Circuit.

II.

JURISDICTION

The jurisdictional requisites are adequately set forth in the petition.

III.

QUESTIONS PRESENTED

1. Should this Court in the exercise of its sound judicial discretion grant a writ of certiorari to review the decision of the court below?

2. Did the Court of Appeals for the Fourth Circuit make erroneous and improper findings of fact in violation of Rule 52(a) of the Federal Rules of Civil Procedure, and then compound its error by basing its decision upon such findings of fact?

3. Did the United States District Court for the Eastern District of Virginia and the Court of Appeals for the Fourth Circuit both err in holding that laches was no defense to Petitioner's improper use of Respondent's trade-name?

4. Is the decision of the court below correct?

IV.

STATUTES INVOLVED

No federal or state statute is involved in this appeal.

V.

RESTATEMENT OF THE CASE

The sole issue in this case is which party to the litigation is entitled to exclusive use of the tradename Food Fair in the Norfolk-Portsmouth, Virginia, area. The court below has ruled that Respondent is entitled to such exclusive use.

Petitioner, hereinafter called Lakeland, opened a grocery supermarket in Norfolk, Virginia, on May 14, 1953, using the tradename Food Fair. Respondent, hereinafter called Food Fair, the sixth largest grocery supermarket chain in the United States, first used the tradename Food Fair for a grocery supermarket in Baltimore, Maryland, on October 31, 1935. When Lakeland opened its store using the tradename Food Fair in Norfolk, Food Fair was already the eighth largest grocery chain in the United States. It was then operating 156 grocery supermarkets under the tradename Food Fair in six East Coast states. At the time of trial September 28-30, 1959, Food Fair had continued to expand and had grown to be the sixth largest grocery chain in the United States. It was then operating 399 grocery supermarkets, virtually all under the tradename Food Fair, in nine East Coast states.

When Lakeland began operating under the tradename Food Fair, it was well aware of the prior use of that tradename by Food Fair, for Lakeland's president, Harold Eisenberg, testified as follows:

> "Q. What did you know about Food Fair Stores of Philadelphia prior to 1953?
>
> "A. I knew there was such an organization, along with other Food Fair stores throughout the country, all independently owned.
>
> Q. Did you know that it was the eighth largest food chain in the United States?

A. No, sir, I didn't know what status they had.

Q. You did not know. Did you have any knowledge at all of what size chain store it was in 1953?

A. I had no occasion to know whether they were eighth, ninth or tenth.

Q. I didn't ask you that. I said, did you know that they were a national chain store in the United States in 1953?

A. I knew that they were a chain store. The question of whether they are national or not is debatable.

Q. Did you have any knowledge as to the size of its operation?

A. No, sir, I didn't know whether they were eighth, ninth or tenth. I knew they were a chain on the East Coast.

Q. Did you know how many stores they operated on the East Coast?

A. No, sir.

Q. No the slightest idea?

A. When you say 'not the slightest idea,' it could vary from one, two hundred, three. I knew they had a lot of stores."

By letter dated June 1, 1953, Food Fair protested use of the tradename Food Fair by Lakeland and thereafter throughout subsequent negotiations with Lakeland, Food Fair periodically protested Lakeland's use of the tradename Food Fair until suit was instituted by Food Fair against Lakeland on January 13, 1958, to enjoin Lakeland's further use of the name. When Lakeland began using the name Food Fair in the Norfolk-Portsmouth area the nearest supermarket operated by Food Fair under the tradename Food Fair had been doing business in Baltimore since 1935.

On January 15, 1958, two days after institution of this

suit, Food Fair opened a grocery supermarket in Norfolk, Virginia, under the tradename Food Fair. Before the hearing of this suit on September 28-30, 1959, Food Fair had opened a second supermarket under the tradename Food Fair in the Norfolk-Portsmouth area and by time of trial had six such supermarkets in Virginia, with plans to open several more in the near future.

At trial the court stated (Appellant's App., pp. 77-78):

> ". . . [T]he defendants, through their counsel, have indicated a willingness to stipulate that the signs on the stores operated by the defendants are either identical or bear such striking similarity to the signs which are on the stores of the plaintiff, that the average viewer or the ordinary person looking at the signs would reach the conclusion that, so far as the signs are concerned, the stores would be operated by one and the same organization."

At trial numerous witnesses from the Norfolk-Portsmouth area in the grocery business and other types of business testified that on May 14, 1953, and prior to that date, Food Fair meant the tradename of a Philadelphia-based grocery supermarket chain. It was also stipulated by the parties that Norfolk is a broad and cosmopolitan city to and from which people all over the United States travel.

The trial court concluded that Food Fair had not shown it was entitled to the injunction it sought. On appeal the court below reversed the trial court, holding that under the evidence Food Fair was the prior user of the tradename Food Fair; that in 1953 the tradename Food Fair had acquired a secondary meaning in the Norfolk-Portsmouth area identifying it with Food Fair; that the Norfolk-Portsmouth area was within the probable area of expansion of Food Fair when Lakeland began using the name;

and that Lakeland deliberately and knowingly appropriated the name for its own business. Upon these conclusions the court below granted Food Fair the injunction it sought in the trial court.

VI.

ARGUMENT

A.

This Case Does Not Warrant the Granting of a Writ of Certiorari

This case involves no great principle of law which calls for resolution by this Court. This case involves no more than the right to use a specific tradename, Food Fair, in a specific part of the country, the Norfolk-Portsmouth, Virginia, area. The decision below rests squarely upon Virginia substantive law and no important or controlling question of federal law is presented by the petition. The issues presented below concerned the doctrine of secondary meaning and reasonable zone of expansion. These doctrines were well established in Virginia, as indicated by the case of *Rosso & Mastracco* v. *Giant Food*, 200 Va. 159, 104 S.E. 2d 776 (1959) and by this Court's decision almost 50 years ago in *Hanover Milling Co.* v. *Metcalf*, 240 U. S. 403 (1916).

Hanover Milling Co. v. *Metcalf*, 240 U. S. 403 (1916) suggested that a tradename was entitled to protection within an area which the prior appropriator of the name would probably reach in the natural expansion of that appropriator's trade. *Stork Restaurant, Inc.* v. *Sahati*, 166 F. 2d 348 (9th Cir. 1948) established the principle that a tradename is entitled to protection in an area where the tradename has acquired a secondary meaning identifying the

name with the goods or services of a particular concern. Each tradename infringement suit must be decided on the facts of each particular case, since the courts must determine whether an area is within the natural area of expansion of a tradename user or alternatively or additionally whether the tradename has acquired a secondary meaning within a given area. These questions of unfair competition do not present any issue of general importance worthy of this court's consideration in the exercise of its certiorari jurisdiction.

There is no constitutional question involved here, and there is no important federal question which should be decided by and has not been decided by this Court, for *Hanover Milling Co.* v. *Metcalf*, 240 U. S. 403 (1916) and *United Drug Co. v. Rectanus Co.*, 248 U. S. 90 (1918) have clearly laid down the guides to tradename protection.

In reviewing the grounds for granting writs of certiorari set forth in Rule 19 of this Court the only possible basis in Lakeland's petition for granting the writ would be the contention that:

> "... [The court of appeals] has so far departed from the accepted and usual course of judicial proceedings, or so far sanctioned such a departure by a lower court, as to call for an exercise of this court's power of supervision."

But no charge is made that the court below has been guilty of such a departure from the accepted and usual course of judicial proceedings.

Rule 19 is not definitive of this Court's certiorari jurisdiction. This Court nevertheless is not merely another appellate court to review alleged errors of an inferior tribunal. Yet that appears to be the only theory urged here for granting a writ of certiorari.

Counsel for Lakeland contend that the court below erroneously refused to consider Lakeland's affirmative defense of laches, and erroneously made a finding of fact not made by the trial court and not supported by the evidence. Those contentions are not true and in any event do not constitute grounds for granting a writ of certiorari.

Equally frivolous and equally indicative of the lack of importance of the matters which Lakeland seeks to present is the transparent effort by Lakeland to suggest that at oral argument its counsel was taken by surprise when he was questioned concerning the petitioner's good faith in this action. Counsel for Lakeland at p. 16 of the petition say:

> "(3) The consequence of injecting this issue of fact [that Lakeland had intentionally appropriated the name knowing of Food Fair stores' prior use of it] while the case was being argued on appeal was that Petitioner did not have the opportunity to make a reply. An opportunity for a little reflection would have enabled counsel to come up with an adequate answer to the Court's question."

Surely counsel for Lakeland cannot contend now that the charge that Lakeland deliberately appropriated the tradename Food Fair took them completely by surprise in oral argument, for the trial judge in his opinion made a finding of fact that Lakeland had knowledge of Food Fair's prior use of the name (Petitioner's Brief, App. B, pp. 18, 19), and Food Fair devoted four pages in its brief in the Fourth Circuit to that very issue. That counsel might have come up with a better answer to a question put to him in court after he left the courtroom and reflected on the matter has not been, is not now, and never will be sufficient reason for granting a writ of certiorari.

Counsel for Lakeland have not suggested a single reason

why a writ of certiorari should be granted. The decision below is plainly right, and the petition for writ of certiorari should be denied.

B.

The Opinion of the Court Below Is Not in Violation of Rule 52(a), Federal Rules of Civil Procedure

Rule 52(a) of the Federal Rules of Civil Procedure, when adopted, was intended to incorporate the long established equity review for non-jury actions. In equity actions, it has long been the rule that findings of fact were reviewable as to the sufficiency of the evidence and the weight of the supporting evidence. *Keller* v. *Potomac Electric Company*, 261 U. S. 428 (1923). When a trial court sits without a jury its findings are not conclusive and the appellate court may determine that these findings are "clearly erroneous," even though there is evidence to support them if "the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." *United States* v. *United States Gypsum Co.*, 333 U. S. 364, 395 (1948).

In *Cleo Syrup Corp.* v. *Coca-Cola Co.*, 139 F. 2d 416 (8th Cir. 1943), *cert. den.* 321 U. S. 781 (1944), the court said that an appellate court may not set aside a finding of fact unless there is no substantial evidence to maintain it, unless it is against the clear weight of evidence or unless it was induced by an erroneous view of the law.

Counsel for Lakeland argue that the court below made new and original findings of fact without determining that the trial judge's conclusions were clearly erroneous. Lakeland contends this violates Rule 52(a). A careful reading of the decision of the court below, however, indicates that court accepted the findings of fact as determined by the

trial judge and that, based upon the same factual findings, concluded that the trial judge had applied improper and erroneous legal principles. In discussing the evidence produced by Food Fair during the trial concerning the fact that the name "Food Fair" had established a secondary meaning, the court below found that "We are in accord with this finding, insofar as it sets out the testimony in the case, but we do not agree with the ultimate conclusion that the plaintiff had failed to establish the existence of a secondary meaning of its name in the competitive area." (App. A, page 9). As to the issue of secondary meaning, it is clear that the court below accepted the factual findings made by the trial judge, and did not make any new findings, but in applying the common law of Virginia pertaining to this legal issue, it decided that issue in favor of Food Fair.

One of the contested issues at the trial and in the court below was whether the particular competitive area, the Norfolk-Portsmouth area, was within the zone into which Food Fair would probably expand. As to this issue, the court below found that the trial court "was wrong in concluding from the evidence that the Norfolk-Portsmouth area was beyond the reach of the probable expansion of the plaintiff's business," (Petitioner's Brief, App. A, p. 10). The trial court had determined that this area was too remote. In disagreeing with this conclusion, the court below held "this conclusion appears to us to be erroneous." (Petitioner's Brief, App. A, p. 11).

Lakeland contends that the entire opinion of the court below is tainted with error, because the court in the course of its opinion stated (301 F. 2d 156, at p. 163):

> ". . . It was shown that the plaintiff's business and trade name were known to a substantial number of persons in the Norfolk-Portsmouth area and that the

> probability of an expansion of the plaintiff's business into the area existed *and that the defendant deliberately and knowingly appropriated the plaintiff's name for its own business and actually imitated the character and style of the signs by which the plaintiff's business was made known to the public . . .*" (Italics supplied).

Lakeland complains that the italicized portion of the court's statement amounts to a finding of fact which was not made by the trial court and is not justified by the evidence. Lakeland further contends that such finding of fact was decisive in the court below. But when the statement was made the court below had already held (1) that when Lakeland first began using the tradename Food Fair, the Norfolk-Portsmouth area was within the probable area of expansion of Food Fair, and (2) that the tradename Food Fair had already acquired a secondary meaning in the Norfolk-Portsmouth area. Either holding was sufficient to support the decision below. The knowledge and obvious intent merely aggravated the offense.

Actually the statement of the court below as to prior knowledge is not at variance with the finding of fact of the trial court, for Judge Hoffman said (Petitioner's Brief, App. B, pp. 18, 19):

> ". . . Indeed, Lakeland's president, Harold Eisenberg, testified that he was well aware of the name FOOD FAIR and plaintiff's chain of supermarkets at the time Lakeland opened its FOOD FAIR store on May 14, 1953, although he insists that the name FAIR was suggested by the name FURNITURE FAIR adopted by a store a short distance away from Lakeland's supermarket."

Thus the fact that Lakeland's president knew of Food Fair's prior use of the tradename Food Fair is established

by the testimony and the finding of the trial court. The conclusion to be drawn from that fact is a matter of law as to which the Fourth Circuit was not bound by the trial court. 5 *Moore's Federal Practice* ¶ 52.03[2] and cases there cited.

Whether Lakeland adopted Food Fair's tradename Food Fair deliberately, as the court below concluded, or merely with admitted knowledge of prior use of it by Food Fair, the result is the same. The effect of the knowing use of another's tradename was summed up in *Pike* v. *Ruby Foo's Den*, 232 F. 2d 683, 686 (D. C. Cir. 1956):

> "The Federal cases are virtually unanimous against a knowing junior user [citations omitted]. Although most of the cases involve at least minor contacts by the senior user within the locale in which the junior user is doing business, so that knowing junior use is not the sole factor present, at least one commentator has concluded that 'the presence of notice is the determinative factor, usually sufficient in itself to bar the second user's claim.' "

Since Lakeland was a knowing junior user at the very least, the court below correctly enjoined Lakeland from further use of the name.

C.

Food Fair Is Not Guilty of Laches

Lakeland contends that Food Fair is not entitled to the relief granted by the court below because it has been guilty of laches. But Food Fair has not been guilty of laches; and even if it had been guilty of laches, its laches would bar only an accounting and would in no way affect Food Fair's right to an injunction, for the reason that laches looks to the past

while Lakeland is guilty of a daily recurring illegal use of the name Food Fair.

Lakeland opened its store May 14, 1953. Food Fair protested Lakeland's use of the tradename Food Fair on June 1, 1953. Thereafter there were various negotiations between the parties which almost terminated in settlement. Food Fair nevertheless continued periodically to protest Lakeland's use of the tradename Food Fair until suit was instituted on January 13, 1958. Food Fair is not guilty of laches under the foregoing facts.

Counsel for Lakeland cite only one case in which laches was held to be a defense in an infringement suit, *Anheuser-Busch* v. *DuBois Brewing Co.*, 175 F. 2d 370 (3d Cir. 1949). That case is readily distinguishable from the case at bar. There, Anheuser-Busch instituted a proceeding in 1908 against DuBois to restrain DuBois from using Anheuser-Busch's tradename Budweiser on DuBois beer. The following year Anheuser-Busch voluntarily dismissed the action and took no further action against DuBois after the voluntary dismissal until 1940, although DuBois continued to use the tradename Budweiser. The court held that this great passage of time, 31 years, plus the voluntary dismissal of the 1908 action, and the fact that Anheuser-Busch actively sought to enjoin others from using its tradename Budweiser during the same period estopped assertion by Anheuser-Busch of an exclusive right to use the tradename Budweiser so far as DuBois was concerned.

There are no such facts here. Food Fair protested immediately, and after negotiations between the parties broke down, instituted suit. Under such circumstances laches is no defense, for as this Court said in *Hanover Milling Co.* v. *Metcalf*, 240 U. S. 403 (1916), at p. 419:

> ". . . . As to laches and acquiescence, it has been repeatedly held, in cases where defendants acted fraudulently or with knowledge of plaintiff's rights, that relief by injunction would be accorded although an accounting of profits should be denied [citations omitted]. So much must be regarded as settled."

If it was settled in 1916 that laches was no defense to a tradename infringement, it is even more clearly settled today. *Stork Restauraut, Inc.* v. *Sahati*, 166 F. 2d 348 (9th Cir. 1948) and *Sears, Roebuck & Co.* v. *Allstates Trailer Rental, Inc.*, 188 F. Supp. 959 (D. Md. 1961), among many others, affirm the ruling that laches does not bar the prior appropriator of a tradename from enjoining future infringements of the tradename, even though laches may bar an accounting for prior profits. The court below quite properly did not consider that the defense of laches applied here.

D.

The Decision of the Court Below is Plainly Right Under the Well Established Law of Unfair Competition

There is no dispute that Food Fair began using the tradename Food Fair in 1935 in Baltimore, Maryland, 18 years before Lakeland began to use the same name in Norfolk, at the other end of Chesapeake Bay. Lakeland knew of prior use of the name by Food Fair, and it was stipulated at the trial that actual confusion resulted between the parties' competing stores from use of the same name by both parties. In these circumstances priority of appropriation of the tradename Food Fair by Food Fair entitles it to exclusive use of that tradename in the Norfolk-Portsmouth area, in accordance with the principles laid down in *Hanover Milling*

Co. v. *Metcalf*, 240 U. S. 403 (1916) and *United Drug Co.* v. *Rectanus Co.*, 248 U. S. 90 (1918). Those cases still set forth this Court's definitive statements on tradename protection.

In the *Rectanus* case this Court said (p. 100):

> "Undoubtedly, the general rule is that, as between conflicting claimants to the right to use the same mark, priority of appropriation determines the question."

Both the *Hanover Milling* and *Rectanus* cases go on to say that priority of appropriation is not determinative if the marks are used in areas wholly remote from one another, unless the junior appropriator selected the mark with some design inimical to the interests of the prior appropriator. But in the case at bar the areas of usage were not at all remote from one another. Furthermore, as the trial court found, Lakeland was well aware of prior appropriation of the tradename Food Fair by Food Fair, and the court below was justified in its conclusion that Lakeland's usurpation of the name was with a design inimical to the interests of Food Fair Stores. Under such circumstances priority of appropriation is conclusive when the first user comes into direct competition with a junior appropriator of the name.

In addition, the courts have increasingly given protection to the prior appropriator of a name which has acquired a secondary meaning within an area, even where the prior appropriator has no present place of business in the area. For example, in *Brooks Brothers, Inc.* v. *Brooks Clothing of California*, 60 F. Supp. 442 (S. D. Calif. 1945), *aff. per curiam* 158 F. 2d 798 (9th Cir. 1947) a New York clothing firm with no place of business in California was granted an injunction against a California firm using the name Brooks

in its clothing business. In *Radio Shack Corporation* v. *Radio Shack*, 180 F. 2d 200 (7th Cir. 1950), a Massachusetts corporation with no place of business in Illinois was granted an injunction against an Illinois firm using its tradename there. In each instance, once it was established that the tradename had acquired secondary meaning, its protection followed as a matter of course, regardless of the prior appropriator's plans to enter the area.

In the case at bar the trial court found that Food Fair's tradename Food Fair had indeed acquired a secondary meaning in the Norfolk-Portsmouth area in 1953 among various people doing business with it and others. The court held, however, that Food Fair had failed to show its tradename had acquired a secondary meaning among potential customers, i.e., retail purchasers, and accordingly denied Food Fair relief. The court below corrected the ruling and pointed out that all those who testified that the tradename Food Fair had a secondary meaning were potential purchasers from a retail grocery supermarket, no matter what their occupation, and that this entitled Food Fair to protection of its tradename.

The court below concluded from the findings of fact in the trial court (1) on May 14, 1953, the Norfolk-Portsmouth area was within Food Fair Stores' area of probable expansion; (2) the tradename Food Fair had acquired a secondary meaning in the Norfolk-Portsmouth area in 1953 before Lakeland began use of the name in that area; and (3) Lakeland deliberately and knowingly appropriated the tradename of Food Fair for its own business. Any one of the three conclusions would sustain the ruling of the court below granting an injunction to Food Fair.

VII.

CONCLUSION

The decision of the court is plainly right, and the petition for writ of certiorari should be denied.

Respectfully submitted,

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